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ATTORNEYS FOR Debtors

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

IN RE:)	Case No. 09-51900 ASW
)	
BENYAM and PAULA R. MULUGETA,)	CHAPTER 11
)	
Debtors.)	Date: October 22, 2009
)	Time: 9:30 a.m.
)	Room: 3020
)	Place: United States Bankruptcy Court
)	280 S. First St. Room 3020
)	San Jose, CA 95113
)	Judge: The Honorable Arthur Weissbrodt

**DEBTORS' STATUS STATEMENT IN SUPPORT OF DEBTORS' MOTION TO EXTEND
TIME ON ORDER RE MOTION FOR RELIEF FROM AUTOMATIC STAY ("Harrison")
AND MOTION TO SELL REAL PROPERTY ("Harrison")**

COMES NOW, Debtors Benyam and Paula R. Mulugeta ("Debtors"), and pursuant to the Court's October 6, 2009¹ Order Continuing Hearing On Motion To Extend Time On Order RE Motion For Relief From Automatic Stay ("Harrison") And Motion To Sell Real Property ("Harrison") ("Order"), submit the following status statement in support of thereof:

I. Status of Matters Set Forth In Order.

A. The Order required Debtors and Tomoko Nakama to each pay to Lone Oak Fund, LLC

¹Docketed on October 8, 2009 (Docket No.: 168)

²Debtors are prepared to submit a declaration confirming this status statement as requested.

1 (“Lone Oak”) \$7,500.00 by October 5, 2009. On October 2, 2009, Debtors sent two \$7,500.00
2 checks to Lone Oak via Federal Express for delivery on October 5, 2009. On October 5, 2009,
3 Debtors confirmed delivery and Lone Oak confirmed receipt.

4 B. The Order required Debtors to file and serve by October 9, 2009 a declaration from R.K.
5 Relan (“Relan”) with respect to his ability to pay the purchase price for Harrison. On October 9,
6 2009 Debtors filed and served the declaration of Relan³. Relan’s declaration indicates, in part, he has
7 been in the real estate business and related investments since 1986, has over ten years in the luxury
8 hotel business, owns a hotel in Sacramento as a partner, and has assets of over \$10 million. In
9 addition, the Relan declaration indicates that he is willing and able to buy Harrison on the terms and
10 conditions set for in the contract with Debtors.

11 C. The Order required Debtors to file and serve by October 9, 2009 a proposal to extend the
12 stay for sufficient time to close the transaction. On October 9, 2009, Debtors filed and served a
13 proposal regarding Harrison⁴. Debtors’ proposal indicates, in part, that if Relan has not removed all
14 contingencies by October 19, 2009, then Debtors will ask the court for permission to employ a
15 commercial real estate broker specializing in hotels and will drop the sales price in an effort to cause
16 a quick sale. In addition, Debtors’ proposal indicates that they are able to make a \$30,000.00 a
17 month payment to Lone Oak starting November 10, 2009 during the time Debtors proceed with
18 efforts to sell⁵.

19 D. The Order required Debtors to file and serve a status statement detailing the status of all
20 related matters. This statement addresses this requirement.

21 **II. Status of Sale Of Harrison.**

22 **A. Relan.**

23 _____
24 ³Debtors filed and served this declaration directly as Docket No.: 170). On October 10, 2009,
25 Debtors’ counsel emailed the Relan declaration to Lone Oak and Ms. Nakama and mailed it to
Lone Oak, Ms. Nakama, and Robert Taylor.

26 ⁴Debtors filed and served this declaration directly as Docket No.: 168). On October 10, 2009,
27 Debtors’ counsel emailed the Relan declaration to Lone Oak and Ms. Nakama and mailed it to
Lone Oak, Ms. Nakama, and Robert Taylor.

28 ⁵See reference to lease in Section II. C.

1 Debtors have been working with Relan towards his release of contingencies on or before
2 October 19, 2009. Relan did not release the remaining contingencies or deposit additional funds.
3 Relan confirmed his commitment to the transaction. In the interim, Relan traveled to the Phillippines
4 to finalize deals which will allow him to close Harrison. Relan's return is anticipated shortly.

5 **B. Real Estate Broker(s)/Sale.**

6 Debtors have been in contact with two commercial real estate firms, The Ehmer Group of
7 Marcus & Millichap and Coldwell Bank Commercial to list Harrison at or below \$6 million in order
8 to generate a prompt sale. Debtors intend to ask the court to employ one or both of the brokers.

9 **C. Lease.**

10 Debtors, as previously disclosed to the court, have received an offer to lease the property from
11 Eden Sober Living For Men. Recently, Debtors received an updated offer to lease which will enable
12 Debtors to make payments to Lone Oak pending their efforts to sell Harrison. Specifically, Eden
13 Sober Living For Men agreed to deposit \$15,000.00 (next week) towards a lease⁶, pay \$25,000.00 a
14 month in lease payments from November 15, 2009 through January 15, 2010, \$35,000.00 a month
15 from January 15, 2010 through June 15, 2010, and \$50,000.00 a month from June 15, 2010 through
16 June 15, 2011. The agreement provides that the parties will enter into a lease option to purchase for
17 \$7,500,000.00.

18 **D. Trading Spaces.**

19 Debtors have been contacted by Trading Spaces, LLC ("Trading Spaces") regarding its interest
20 in continuing with its prior sales contract.

21 As previously indicated Trading Spaces' delays were related to its efforts to secure financing
22 through bonds. However, Debtors have learned that Trading Spaces that the bonds have been sold to
23 Dutch Bank and Debtors are to receive confirmation by tomorrow of a specific date whereby
24 Trading Spaces will fund the various escrows, including the existing escrow for purchase of
25 Harrison.

26 **E. Additional Buyer.**

27 _____
28 ⁶As a security deposit.

1 As a result of Debtors' continuing marketing efforts another buyer has surfaced. Debtors have
2 elected to disclose and introduce this buyer at the hearing for fear of interference with the
3 transaction⁷.

4 //

5 **III. Interference With Sale of Harrison.**

6 Debtors believe and submit that Debtors' ability to market and sell Harrison has been
7 interfered with and damaged by the conduct of Lone Oak.

8 Lone Oak has apparently retained the services of Kevin Singer of Receivership Services⁸.
9 Immediately prior to the September 30, 2009 hearing, a woman from Mr. Kevin Singer's office
10 contacted Debtors' counsel and indicated that she was calling on behalf of Mr. Singer, he had been
11 appointed receiver for the Harrison property, and she wanted to arrange for Mr. Singer to meet with
12 the Mulugetas and inspect the property. Debtors' counsel responded by indicating their roll as
13 Debtors' counsel, the status of the bankruptcy, the impact of the stay, that Mr. Singer had not been
14 appointed as receiver by the bankruptcy court, that other court had authority to or had issued an
15 order appointing any receiver, and that she should go back to Mr. Singer and clarify her information.

16 On October 6 and 7, 2009, Debtors' counsel was advised by Mr. Mulugeta that on October 6,
17 2009, while he was in an attorney's office, Mr. Singer called, introduced himself as the receiver and
18 indicated that he had a court order appointing him as receiver for the Harrison property, and wanted
19 to meet with the Mulugetas and inspect the property. Mr. Mulugeta handed the phone to the attorney
20 who, with knowledge of the status of the bankruptcy, confronted Mr. Singer on the status of the state
21 action, the automatic stay, and the absence of any order appointing him as receiver.

22 In addition, Debtors have learned that during this same time frame Mr. Singer also called an
23 adjacent property owner, introduced himself as the receiver, said the property was in foreclosure,
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25
26 ⁷See discussion hereinafter.

27 ⁸Pre-petition Lone Oak commenced a civil action in Alameda County Superior Court and
28 moved the court, ex parte, for appointment of a receiver which Debtors understand was to be Mr. Singer.

1 and wanted to know if this person was interested in purchasing the property.

2 Mr. Singer's communications with this adjacent property owner confirm another concern
3 Debtors have regarding Lone Oak's and its representatives' actions regarding the Debtors and this
4 property. This same adjacent property owner recently that pre-petition, contrary to the sworn
5 declarations submitted on behalf of Lone Oak in support of its motion for relief from stay, that they
6 had received a flyer from Lone Oak indicating it was the owner of the property, it had the property
7 for sale, and to contact Lone Oak if they were interested in purchasing the property.

8 Debtors have also learned that a Mr. Jerry of Lone Oak has been discussing and negotiating
9 with Mr. Cliff Bercovich and his client⁹ to lease and/or sell Harrison.

10 Debtors are aware that Lone Oak has scheduled Trustee's Sale for October 26, 2009 at 12:30
11 p.m.

12 On October 7, 2009, Debtors brought these concerns to Lone Oak's attention. As of today,
13 Lone Oak has not provided a substantive response except to indicate it will review the matters
14 directly and with Mr. Singer.
15

16 **III. Conclusion.**

17 Debtors submit this status statement pursuant to the Order and in support of their Motion To
18 Extend Time On Order RE Motion For Relief From Automatic Stay ("Harrison") And Motion To
19 Sell Real Property ("Harrison").

20 Dated: October 20, 2009

CAMPEAU GOODSSELL SMITH

/s/ William J. Healy

William J. Healy

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28 ⁹A former client of Debtor.